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E-FILED on December 29, 2006

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 Attorneys for Debtors

**UNITED STATES BANKRUPTCY COURT
 DISTRICT OF NEVADA**

In re:
 USA COMMERCIAL MORTGAGE COMPANY,
 Debtor.

Case No. BK-S-06-10725 LBR
 Case No. BK-S-06-10726 LBR
 Case No. BK-S-06-10727 LBR
 Case No. BK-S-06-10728 LBR
 Case No. BK-S-06-10729 LBR

In re:
 USA CAPITAL REALTY ADVISORS, LLC,
 Debtor.

In re:
 USA CAPITAL DIVERSIFIED TRUST DEED FUND,
 LLC,
 Debtor.

Chapter 11

In re:
 USA CAPITAL FIRST TRUST DEED FUND, LLC,
 Debtor.

**Jointly Administered Under
 Case No. BK-S-06-10725 LBR**

In re:
 USA SECURITIES, LLC,
 Debtor.

**DECLARATION OF THOMAS J.
 ALLISON IN SUPPORT OF DEBTOR
 USA COMMERCIAL MORTGAGE
 COMPANY'S OPPOSITION TO
 DAYCO FUNDING
 CORPORATION'S MOTION FOR
 RELIEF FROM THE AUTOMATIC
 STAY**

Affects:
☐ All Debtors
☒ USA Commercial Mortgage Company
☐ USA Securities, LLC
☐ USA Capital Realty Advisors, LLC
☐ USA Capital Diversified Trust Deed Fund, LLC
☐ USA First Trust Deed Fund, LLC

Date of Hearing: January 17, 2007
 Time 8:30 a.m.

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I, Thomas J. Allison, hereby declare, verify and state as follows:

1. USA Commercial Mortgage Company (“USACM”) and its affiliated entities (referred to collectively herein as the “Debtors”) filed for relief under Chapter 11 of the Bankruptcy Code on April 13, 2006. See Court’s Docket.

2. Since April 13, 2006, I have been the Court-approved chief restructuring officer of the Debtors and have had access to USACM’s books and records.

3. I have reviewed the facts stated in USACM’s Opposition to Dayco Funding Corporation’s Motion for Relief From the Automatic Stay (the “Opposition”) and, based upon (a) my knowledge of the records of USACM, (b) the current status of the Chapter 11 proceedings of the Debtors and (c) the statements contained in the Motion filed by Dayco Funding Corporation (“Dayco”), I believe those facts to be true.

4. USACM, as agent and loan servicer for a group of lenders (the “Direct Lenders”), extended a loan (the “USACM Serviced Loan”) to Southern California Land Development LLC (“Borrower”) on or about August 23, 2005, in the original principal sum of \$2,300,000.00. The USACM Serviced Loan is secured by a Second Position Deed of Trust (the “USACM Serviced Lien”) on the real property (the “Property”), consisting of two parcels of undeveloped real property located in Hesperia, California, that also secures the lien of Dayco (the “Dayco Lien”).

5. The principal balance of the USACM Serviced Loan is \$2,800,000. There are 33 Direct Lenders for the USACM Serviced Loan. In addition to acting as loan servicer, USACM is also one of the Direct Lenders for the USACM Serviced Loan, with a 1.25% undivided interest in the USACM Serviced Lien in the principal amount of \$35,000.

6. USACM arranged for Hilco Real Estate Appraisal, LLC (“Hilco”), the Court approved appraiser for the USACM Estate, to appraise the Property. The Hilco appraised value of the Property was \$2,950,000 as of June 21, 2006.

7. Based upon the value of the Property at \$2,950,000, and taking into account Dayco’s assertion that the current balance of the Dayco Lien is \$1,707,435.14, the Dayco Lien has an equity cushion of approximately \$1.24 million in the Property, or approximately 70% of the current balance of the Dayco Lien.

8. USACM is a party to the Asset Purchase Agreement dated December 8, 2006 (the “APA”), between USACM and USA Capital First Trust Deed Fund, LLC as Sellers, and Compass Partners LLC (the “Purchaser”) as Purchaser. A copy of the APA was filed with the Court on December 18, 2006 as Docket No. 2164.

9. Section 2.1 of the APA states that “Sellers hereby agree to sell, assign, transfer, convey and deliver to Purchaser, and Purchaser hereby agrees to purchase from Sellers, all of Sellers’ right, title and interest in and to the Assets.” The term “Assets” is defined in Section 1.1 of the APA as “collectively, all First Trust Deed Fund Assets listed on Schedule 1 [to the APA] and the Commercial Mortgage Assets listed on Schedule 2 [to the APA], together with the Personal Property.” Page 2 of Schedule 2 to the APA lists the USACM Serviced Loan (the “Southern California Land 2nd Loan”) with a principal balance of \$2,800,000 as of July 31, 2006, along with USACM’s 1.25% ownership of the USACM Serviced Loan in the amount of \$35,000.

10. The definition of “Closing Date” in Section 1.1 of the APA mandates that the Closing Date for the sale of the Assets to the Purchaser shall be no later than the Outside Approval Date. The definition of “Outside Approval Date” in Section 1.1 of the APA is February 16, 2007.

11. The Debtors’ Third Amended Joint Chapter 11 Plan of Reorganization (the “Plan”) was filed on November 15, 2006, as Docket No. 1799. The Plan provides that it will be implemented by (among other things) the sale of the Acquired Assets as set forth in section C of Article IV of the Plan. Section IV(A). The Plan further provides that it will be implemented in part by the Asset Sale Transaction, whereby the Acquired Assets will be sold and transferred to the Purchaser. Section IV(C). The term “Acquired Assets” is defined in Section I(A)(2) of the Plan to include the “USACM” Assets under the APA, which includes the USACM Interest. The term “Asset Sale Transaction” is defined in Section I(A)(15) of the Plan as the sale of the Acquired Assets to the Purchaser pursuant to the APA.

12. The Plan was confirmed by the Bankruptcy Court at the conclusion of the confirmation hearing on December 20, 2006. USACM anticipates that the Confirmation Order for the Plan will be entered shortly. USACM also anticipates that the closing with the Purchaser

1 under the APA will occur sometime in January of 2007, and certainly no later than the February
2 16, 2007 deadline in the APA.

3 I declare, under penalty of perjury, that the foregoing statements are true and correct to the
4 best of my information and belief.

5 EXECUTED this 29th day of December, 2006.

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11 Thomas J. Allison
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